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Kathleen B. Levitz
Vice President-Federal Regulatory

September 10, 1998

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EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, D.C. 20554

RECEIVED
SEP 10 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 98-121

Dear Ms. Salas:

This is to inform you that Robert Blau, Allice Harms, and the undersigned, all of BellSouth Corporation, met with Commission staff on September 10, 1998 to discuss issues related to BellSouth's pending application for authority to provide in-region, interLATA telecommunications services in Louisiana. Also attending the meeting were J.H Rohlfs and J.H. Webber of Strategic Policy Research, Inc. The following Commission staff members attended some or all of this meeting: Jennifer Fabian; Neil Fried; and Doug Galbi of the Commission's Common Carrier Burea; and Johnson Garrett; Jon Wilkins; and Robert Pepper of the Commission's Office of Plans and Policy.

During the meeting SPR presented a model it has developed to determine if a large competitor could profitably provide local service in the Atlanta, Georgia LATA. The attached document formed the basis for that presentation.

As required by Section 1.1206(a)(2) of the Commission's rules, we are filing two copies of this notice and ask that you associate this notification with the proceeding identified above.

Sincerely,

Kathleen B. Levitz

Kathleen B. Levitz
Vice President – Federal Regulatory

cc: Jennifer Fabian, Neil Fried, Johnson Garrett
Doug Galbi, Robert Pepper, Jon Wilkins

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List ABCDE

TELCOMP MODEL RUN FOR ATLANTA

J.H. Rohlfs
J.H. Weber

Presented to the FCC

Washington, D.C.

September 10, 1998

STRATEGIC
POLICY
RESEARCH

I. OBJECTIVE

- To determine if a large competitor can profitably provide local service in a specific LATA (Atlanta)

II. APPROACH

- Develop a model of a network that a competitor might deploy
- Use hard data wherever possible
- Avoid contentious assumptions
- Be conservative — Use high cost estimates

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POLICY
RESEARCH

III. ASSUMED SERVING ARRANGEMENTS

- Competitor utilizes:
  - Unbundled loops
  - Collocated space
  - Unbundled loop multiplexors
  - Tariffed interoffice facilities or UNEs
  - Its own switching equipment at its own locations

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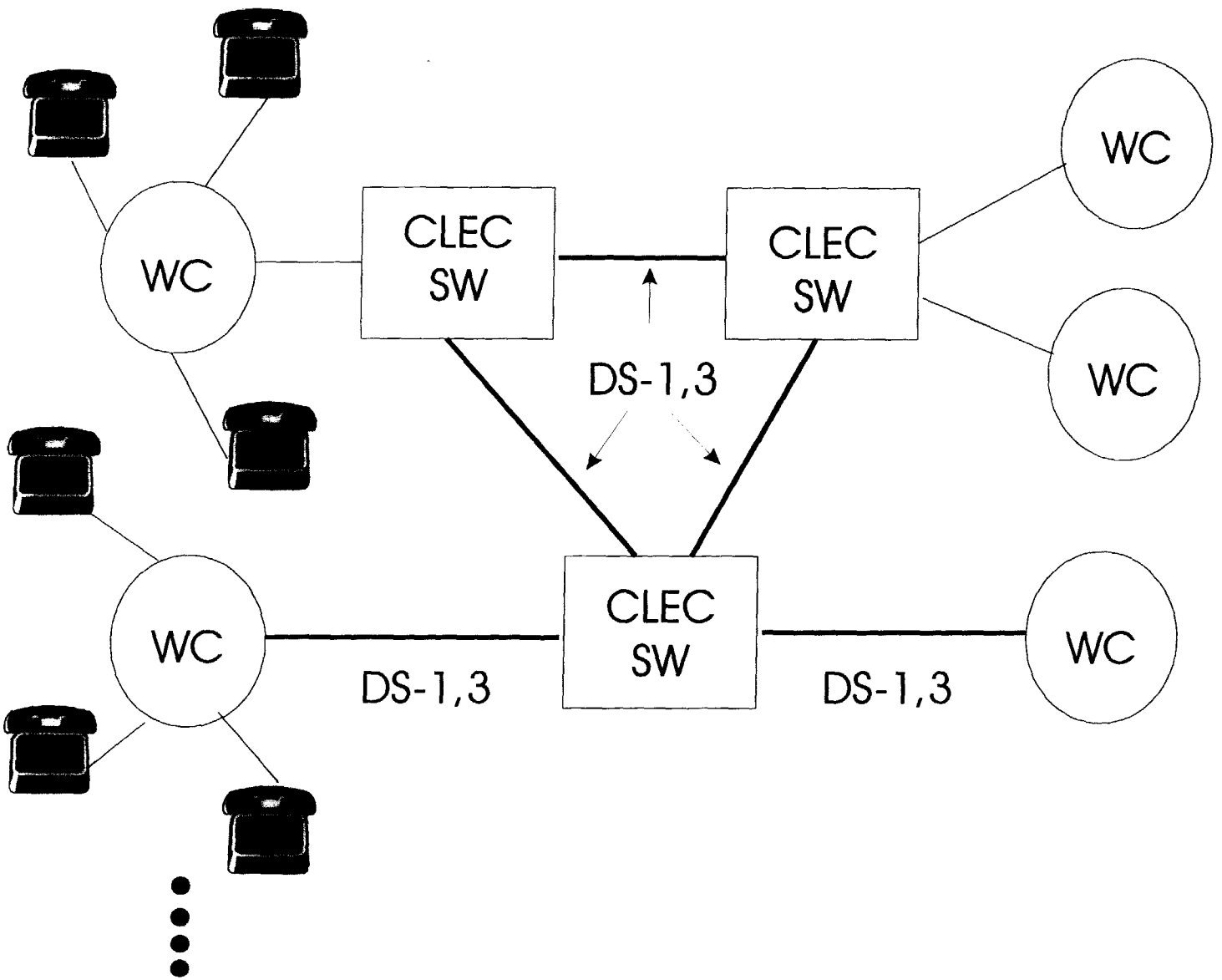
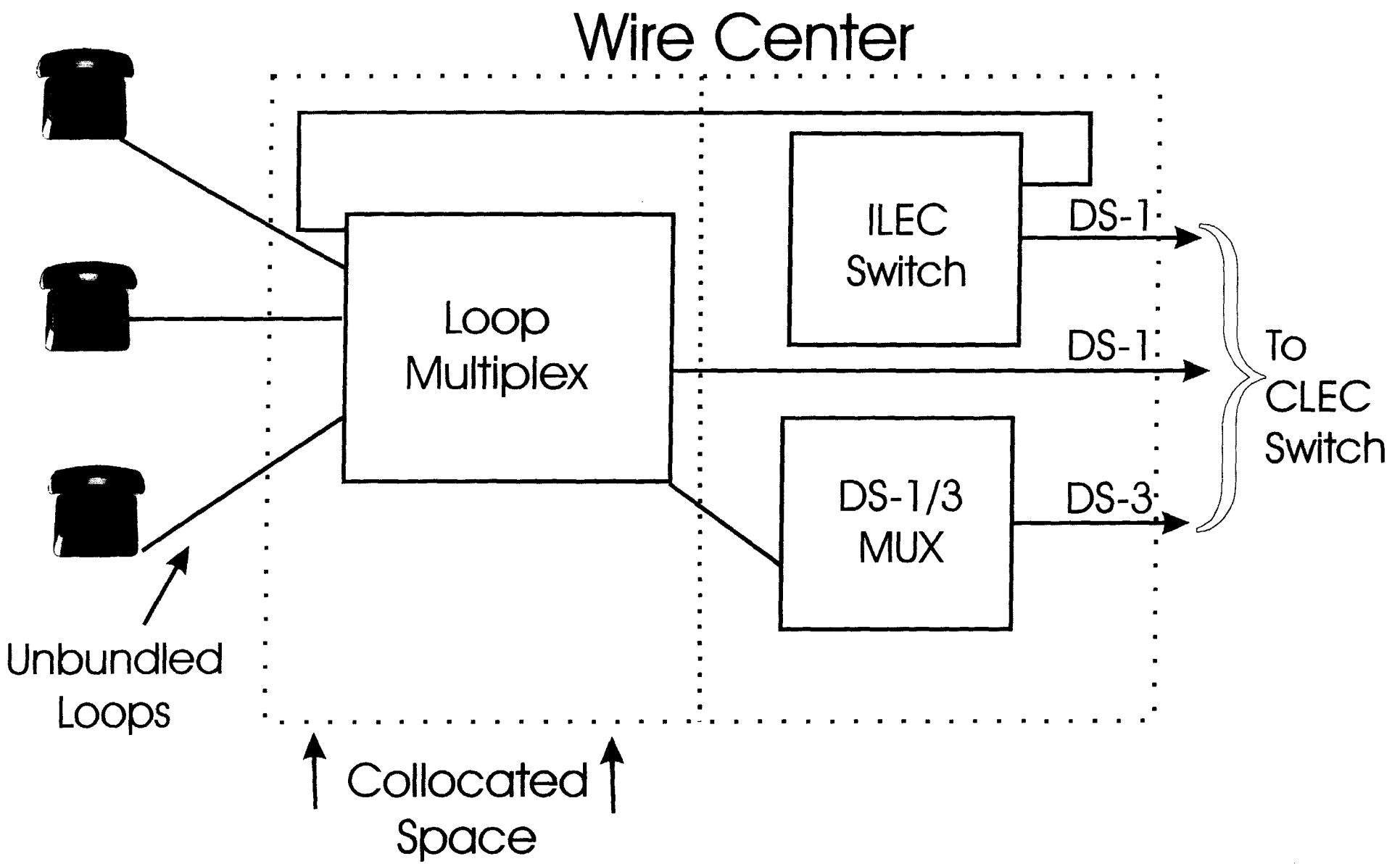
Network Configuration



Wire Center Configuration



IV. ASSUMED MARKET STRATEGIES

- Competitor will stand ready to serve all customers:
  - In LATA, or
  - In Metro
  - May tailor offerings to attract high-revenue customers

V. CHARACTERISTICS OF SERVED POPULATIONS

- 70,000 to 150,000 lines
- 76 to 108 wire centers

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VI. COST ASSUMPTIONS

- Unbundled loop = $16.51 per loop per month
- Collocation = $2.50 per line per month
- Loop multiplexors = $262 per unit per month
- DS1 line = $224 + $23.50 per mile per month
  - UNE = $78.47 + $0.4523 per mile per month
- DS1/DS3 multiplex = $970 per DS3 per month
- DS3 line = $3,300 + $175 per mile per month
- SG&A = 30% of sales

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VI. COST ASSUMPTIONS (contd)

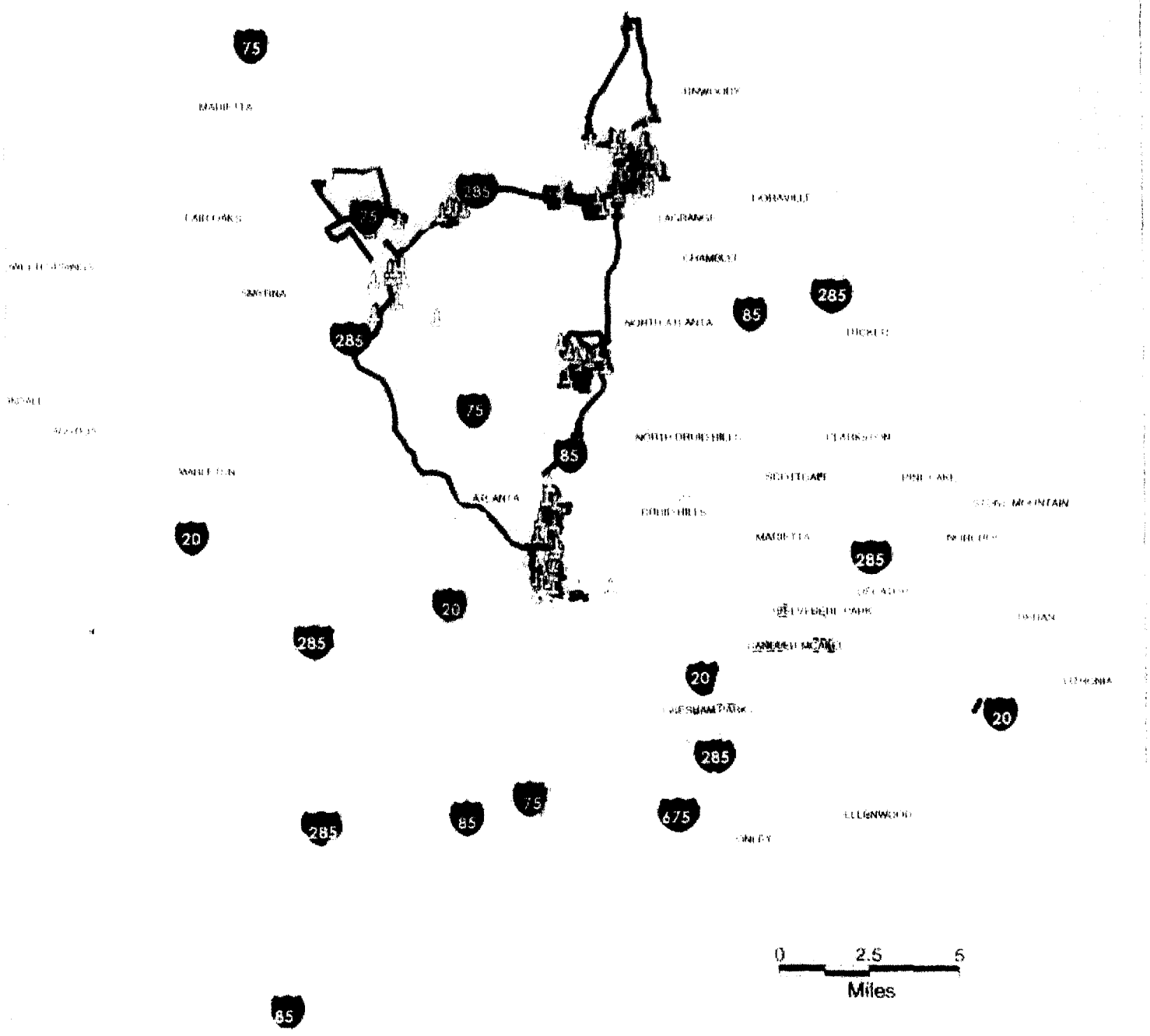
- DS-1 local channel = $134 per DS-1 per month
  - UNE = $38.36 per DS-1 per month
- DS-3 local channel = $2,100 per DS-3 per month
- Switch port = $100 capital per port
  - 7-year depr., 10% main., 13% cap. cost
- Traffic destined for ILEC is returned to serving CO. Interconnection termination charges: $0.0016 per minute to CLEC, $0.0017 per minute to ILEC. Net cost to CLEC, $0.0001 per minute assuming equal traffic flows.

STRATEGIC POLICY RESEARCH

COMPETITIVE MODEL RESULTS
MONTHLY COSTS AND REVENUES

	Atlanta LATA	Atlanta LATA	Atlanta Metro	Atlanta Metro
	3 Res Deciles	10 Res Deciles	3 Res Deciles	10 Res Deciles
	10 Bus Deciles	10 Bus Deciles	10 Bus Deciles	10 Bus Deciles
	(1)	(2)	(3)	(4)
Number of Central Offices Served	108	108	76	76
Number of Lines	83,911	153,454	71,656	129,047
Switch capital cost/line	$63.15	$61.59	$62.50	$61.37
Monthly Per-Line Costs:				
Loop cost	$22.46	$22.37	$22.42	$22.36
Transmission cost	$3.26	$3.19	$3.16	$3.11
Trunk cost	$0.25	$0.24	$0.24	$0.23
Channel cost	$0.27	$0.25	$0.27	$0.25
Interconnect cost	$0.10	$0.10	$0.10	$0.10
Non-capital cost	$26.33	$26.15	$26.19	$26.06
Capital operating cost	$1.27	$1.25	$1.26	$1.24
Total network cost	$27.62	$27.40	$25.55	$27.30
Local revenue/line/month	$59.64	$47.22	$60.28	$47.72
Gross margin	$32.03	$19.82	$32.83	$20.43
Gross margin as % of sales	53.71%	41.97%	54.46%	42.81%
SG&A/line (30% of rev.)	$17.89	$14.16	$18.08	$14.32
Cost of capital (13%/ yr.)	$0.65	$0.63	$0.64	$0.63
Total economic costs/line/ month	$45.50	$41.56	$45.53	$41.62
Economic margin/line/ month	$14.13	$5.65	$14.74	$6.11
Economic margin as % of sales	23.70%	11.97%	24.46%	12.80%
	---------- Million Dollars ----------			
Total revenues/year	$60.05	$86.94	$51.83	$73.90
Total economic costs/ yr.	$45.82	$76.54	$39.15	$64.44
Total economic profit/yr.	$14.23	$10.41	$12.68	$9.46
Investment	$5.30	$9.45	$4.48	$7.29

Where WorldCom and MCI Provide Local Telephone Service in Atlanta and Where They Do Not



Competitive Building Hook-ups

WorldCom Building

MCI Building

Competitive Fiber Lines

WorldCom

MCI

VII. FACTORS THAT MAKE L.E. COMPETITION EVEN MORE PROFITABLE

- Synergies with long-distance marketing
- Synergies with long-distance operations
- Use own facilities and/or resale where profitable

STRATEGIC POLICY RESEARCH